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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 L-03 H-01 NSC-05 PA-01 PRS-01 OIC-02
/115 W
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R 290021Z NOV 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 2288
INFO ALL OECD CAPITALS

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PASS CEA, TREASURY AND FRB

E.O. 11652:: NA
TAGS: ECON, EFIN, OECD
SUBJECT: VAN LENNEP REPORT TO THE COUNCIL ON
ECONOMIC POLICY COMMITTEE MEETING (EPC), INCLUDING
EPC INFORMAL DISCUSSION ON POSSIBLE DATE FOR OECD
MINISTERIAL

1. SUMMARY. DURING COUNCIL MEETING ON NOVEMBER 24, SECGEN VAN LENNEP REPORTED ON RESULTS OF EPC MEETING HELD NOVEMBER 21-22. HE DWELT PARTICULARLY ON THE IMPORTANCE AND INNOVATIVE CHARACTER OF EPC'S EXAMINATION OF NATIONAL ECONOMIC OBJECTIVES FOR 1978 AND MENTIONED THAT IN INFORMAL DISCUSSIONS EPC MEMBERS FAVORED HOLDING OECD MINISTERIAL MEETING SOMEWHERE AROUND THE SECOND HALF OF MAY. END SUMMARY.

2. IN REPORTING TO THE COUNCIL ON EPC RESULTS, SECGEN
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VAN LENNEP (SUPPLEMENTED BY MARRIS) MADE THE FOLLOWING MAIN POINTS:

A) SECGEN WAS REPORTING TO THE COUNCIL ON EPC BECAUSE LAST MEETING OF COMMITTEE HAD NOT ONLY ROUTINE CHARACTER OF NORMAL EPC, BUT ALSO HAD FIRST LOOK AT NATIONAL ECONOMIC OBJECTIVES OF MEMBER GOVERNMENTS,

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IN ACCORDANCE WITH INSTRUCTIONS GIVEN AT THE
MINISTERIAL MEETING (LAST JUNE).

B) GIVEN THAT OECD AREA ECONOMIC GROWTH IN 1977 -- OF
THE ORDER OF FOUR PERCENT -- WAS FALLING SHORT OF
EXPECTATIONS EXPRESSED AT THE MINISTERIAL, THE
SECRETARIAT SUGGESTED AT EPC THAT THE OVERALL FIGURE
FOR 1978 ECONOMIC GROWTH SHOULD BE PUT AT THE FIGURE OF
AROUND 4-1/2 PERCENT. THIS IS NOT A SIGN OF FAILURE
OF THE OBJECTIVES, WHICH AT THE MINISTERIAL HAD
BEEN ROUGHLY INDICATED AT 5 PERCENT FOR 1978, BUT
ADAPTING TARGETS TO THE REALITIES WHICH WERE NOT CLEARLY
SEEN AT THE TIME OF THE MINISTERIAL.

C) THE OVERALL OBJECTIVES HANDED IN BY INDIVIDUAL
COUNTRIES CORRESPOND GENERALLY IN TERMS OF ADDING UP TO
AN AGGREGATE OECD AREA GROWTH OF 4-1/2 PERCENT FOR 1978.
HOWEVER, THE OBJECTIVES WERE ONLY PRELIMINARY IN MANY
CASES. MANY GOVERNMENTS INDICATED THAT THEIR OBJECTIVES
COULD ONLY BE REACHED THROUGH ADDITIONAL POLICY MEASURES
TO BE TAKEN OVER TIME, WHILE A NUMBER OF OTHER GOVERN-
MENTS INDICATED THAT THEIR OWN OBJECTIVES COULD ONLY BE
REACHED IF OTHER GOVERNMENTS WOULD ATTAIN THEIR OBJECT-
IVES THROUGH NEW MEASURES.

D) EPC CHAIRMAN HAS GIVEN HIS OWN SUMMARY OF THE
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RESULTS OF THE MEETING WHICH WILL NO DOUBT BE KNOWN
TO HEADS OF DELEGATIONS. THERE WAS NO MAJOR DIFFERENCE
OF APPRECIATION THAT THE SECRETARIAT'S FORECAST OF A

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LOWER LEVEL OF GROWTH IN 1978 THAN INDICATED BY NATIONAL OBJECTIVES WOULD BE THE MOST LIKELY OUTCOME WITHOUT NEW POLICY MEASURES, OR THAT THEY WERE THE LEAST UNLIKELY FIGURES. CONTRARY TO MANY OTHER PRECEDING EPC MEETINGS, THERE WAS NO MAJOR DIFFERENCE IN THIS RESPECT, ALTHOUGH THERE WAS A DIFFERENCE OF APPRECIATION ON THE WAY IN WHICH, IN PRACTICE, GOVERNMENTS COULD ACHIEVE OTHER (HIGHER) RATES OF GROWTH. THE DISCUSSION SHOWED THERE WAS A WIDE MEASURE OF AGREEMENT THAT THE OBJECTIVES THAT HAD BEEN SUBMITTED COULD BE ACHIEVED WITHOUT CAUSING AN ACCELERATIDN OF INFLATION.

E) EPC DECIDED THAT THE SITUATION WARRANTED AN EARLY MEETING OF THE COMMITTEE NEXT YEAR, SETTING THE DATES OF FEBRUARY 27-28 FOR SUCH MEETING. EPC HAS STARTED TO IMPLEMENT THE MINISTERIAL DECISION (ON MONITORING) IN AN EFFECTIVE WAY, AND IS DETERMINED TO PURSUE ITS NEXT ROUND OF DISCUSSIONS ON THIS IMPORTANT SUBJECT AT THIS MEETING EARLY NEXT YEAR.
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3. INFORMAL DISCUSSIONS DURING THE EPC INDICATED A FEELING THAT THERE WAS NO NEED TO HAVE AN OECD MINISTERIAL MEETING EARLIER THAN THE RANGE OF NORMAL DATES FOR THESE MEETINGS, WHICH IS BETWEEN THE MIDDLE OF MAY AND THE END OF JUNE. EPC MEMBERS FELT THAT A MINISTERIAL MEETING SOMEWHERE AROUND THE SECOND HALF OF MAY WOULD BE A BETTER DATE THAN EARLY IN THE YEAR, AS HAD BEEN MENTIONED AS A POSSIBILITY AT THE TIME OF THE LAST MINISTERIAL.
SALZMAN

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